

KIAWAH ISLAND UTILITY, INC.

DOCKET NO. 2001-164-W/S

PRE-FILED REPLY TESTIMONY OF GARY C. WHITE

BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

Testimony Prepared: March 8, 2002

Hearing Date: March 13, 2002

THIS TESTIMONY IS FILED PURSUANT TO PSC ORDER DATED JANUARY 15, 2002. THE APPLICANT RESERVES THE RIGHT TO SUPPLEMENT THIS TESTIMONY IN RESPONSE TO THE SURREPLY TESTIMONY THAT MAY BE PRE-FILED BY THE COMMISSION STAFF AND INTERVENORS.

**MR. WALKER:** Did you previously provide testimony?

**MR. WHITE:** Yes, I submitted pre-filed testimony on behalf of Kiawah Island Utility.

**MR. WALKER:** Do you have any changes to that testimony?

**MR. WHITE:** Yes, I would like to address one item within the rate filing schedules that will have a significant impact on the utility's earnings.

When we developed the pro forma billing analysis at proposed rates for water and sewer, we projected five (5) golf course customers. We now know KIU will only have three (3) permanent golf course customers. The elimination of the two golf courses will have a significant impact on the operating income of the Utility.

**MR. WALKER:** What is the magnitude of the impact to earnings created by the elimination of these two customers?



**MR. WHITE:** The Utility will generate approximately \$36,500 less in water revenue or a reduction of \$22,650 of operating income. Sewer revenues will be less by \$103,250, a reduction of \$64,000 of operating income.

The combined effect will be a loss in income of about \$86,650. This shortfall in income and revenue should be addressed as a known and measurable change.

I have prepared revised schedule(s) showing the results of these changes, which is attached to my testimony.

THIS ENDS MY REPLY TESTIMONY

REVISED  
Schedule W-C

KIAWAH ISLAND UTILITY, INC.  
Water Operation

	Test Year	Adjustments	As Adjusted	Adjustments	As Adjusted	% Increase
Residential Sales	\$1,687,672	\$11,263	\$1,698,935			
Commercial Sales	158,173	2,338	160,511			
Hotel/Motel Sales	37,940	463	38,403			
Golf Course Sales	229,340	(2,561)	226,779			
Irrigation Sales	657,554	20,544	678,098			
Fire Hydrant Rental	38,495		38,495			
Misc Service Rev.	21,373		21,373			
Operating Revenues	<u>\$2,830,546</u>	<u>\$32,047</u>	<u>\$2,862,593</u>	<u>\$620,242</u>	<u>\$3,482,835</u>	21.67%
O & M Expense	2,186,218	41,450	2,227,668		2,227,668	
Depreciation Expense	247,486	41,254	288,740		288,740	
Taxes, Other	93,873	33,530	127,403	6,979	134,383	
Income Tax	0		0	183,593	183,593	
Operating Expenses	<u>2,527,577</u>	<u>116,234</u>	<u>2,643,811</u>		<u>2,834,384</u>	
Net Operating Income	<u>\$302,969</u>		<u>\$218,782</u>		<u>\$648,451</u>	
Rate Base	\$7,199,640				\$7,056,764	
Rate of Return	4.21%				9.19%	
Operating Margin (PSC Method)					8.86%	

Note: This schedule reflects the impacts of the revenue shortfall as a result of losing revenues from two golf courses.

**EXHIBIT 1**REVISED  
Schedule W-E**KIAWAH ISLAND UTILITY, INC.**  
**Water Operation****Pro Forma Test Year-Billing Analysis****Proposed Rates**

Residential	Bills	Usage	Base Rate	Usage Rate	Base Revenue	Usage Revenue	Total Revenue
5/8x3/4"	32,360		\$27.80		\$899,608.00		\$899,608.00
3/4"	1,128		\$41.70		47,037.60		47,037.60
1"	828		\$69.50		57,546.00		57,546.00
1 1/2"	0		\$139.00		0.00		0.00
2"	12		\$222.40		2,668.80		2,668.80
0-11 kgals.		198,867		\$2.44		485,234.73	485,234.73
12- 50 kg.		196,495		\$2.56		503,026.55	503,026.55
Over 50 kg.		64,475		\$2.80		180,531.26	180,531.26
	<u>34,328</u>	<u>459,837</u>			<u>\$1,006,860.40</u>	<u>\$1,168,792.54</u>	<u>\$2,175,652.94</u>
			Avg Bill	<u>\$63.38</u>			
<b>General Service</b>							
Commercial	Bills	Usage	Base Rate	Usage Rate	Base Revenue	Usage Revenue	Total Revenue
5/8x3/4"	528	8,001	\$27.80	\$2.80	\$14,678.40	\$22,402.80	\$37,081.20
3/4"	60	1,132	\$41.70	\$2.80	2,502.00	3,169.60	5,671.60
1"	132	8,464	\$69.50	\$2.80	9,174.00	23,699.20	32,873.20
1 1/2"	60	3,086	\$139.00	\$2.80	8,340.00	8,640.72	16,980.72
2"	84	10,972	\$222.40	\$2.80	18,681.60	30,721.45	49,403.05
3"	24	4,384	\$486.50	\$2.80	11,676.00	12,275.20	23,951.20
4"	12	3,212	\$1,396.21	\$2.80	16,754.52	8,993.60	25,748.12
6"	0	0					0.00
	<u>900</u>	<u>39,251</u>			<u>\$81,806.52</u>	<u>\$109,902.57</u>	<u>\$191,709.09</u>
			Avg Bill	<u>\$213.01</u>			
Hotel/Motel	Bills	Usage	Base Rate	Usage Rate	Base Revenue	Usage Revenue	Total Revenue
	12	9,213	\$1,675.45	\$2.80	\$20,105.40	\$25,796.40	\$45,901.80
	0	0					
	<u>12</u>	<u>9,213</u>			<u>\$20,105.40</u>	<u>\$25,796.40</u>	<u>\$45,901.80</u>
			Avg Bill	<u>\$3,825.15</u>			
Golf Course *	Bills	Usage	Base Rate	Usage Rate	Base Revenue	Usage Revenue	Total Revenue
Potable	36	52,894	\$660.99	\$2.80	\$23,795.64	\$148,103.20	\$171,898.84
Well		142,159	\$863.79	\$0.21	31,096.44	29,853.39	60,949.83
	<u>36</u>	<u>195,053</u>			<u>\$54,892.08</u>	<u>\$177,956.59</u>	<u>\$232,848.67</u>
			Avg Bill	<u>\$6,468.02</u>			
Irrigation	Bills	Usage	Base Rate	Usage Rate	Base Revenue	Usage Revenue	Total Revenue
5/8x3/4"	686	0	\$27.80		\$19,070.80		\$19,070.80
3/4"	624	0	\$41.70		26,020.80		26,020.80
1"	468	0	\$69.50		32,526.00		32,526.00
1 1/2"	192	0	\$139.00		26,688.00		26,688.00
2"	300	0	\$222.40		66,720.00		66,720.00
3"	60	0	\$486.50		29,190.00		29,190.00
4"	0	0	\$1,396.21		0.00		0.00
6"	0	0					0.00
0 - 50 kg.		57,885		\$2.56		148,186.07	148,186.07
Over 50 kg.		161,548		\$2.80		452,334.43	452,334.43
	<u>2,330</u>	<u>219,433</u>			<u>\$200,215.60</u>	<u>\$600,520.49</u>	<u>\$800,736.09</u>
			Avg Bill	<u>\$343.66</u>			
<b>System Totals</b>	<u><b>37,606</b></u>	<u><b>922,787</b></u>			<u><b>\$1,363,880</b></u>	<u><b>\$2,082,969</b></u>	<u><b>\$3,446,849</b></u>
Fire Hydrant Revenue							38,495
Misc. Service Revenues							21,373
<b>Total System Revenues Per Billing Analysis</b>							<u><b>\$3,506,716</b></u>
Billing Adjustments (Partial Month Bills, Misreads, etc.)							<u>(23,881)</u>
<b>Actual Operating Revenues</b>							<u><b>\$3,482,835</b></u>

\*Note: This schedule reflects the impacts of the revenue shortfall as a result of losing revenues from two golf courses.

REVISED  
Schedule S-C

**KIAWAH ISLAND UTILITY, INC.**  
**Sewer Operation**

Statement of Operations

	Test Year	Adjustments	As Adjusted	Adjustments	As Adjusted	% Increase
Residential Sales	\$697,202	\$14,242	\$711,443			
Commercial Sales	102,508	259	102,768			
Hotel/Motel Sales	29,199	344	29,543			
Effluent Sales	160,651	42,030	202,682			
Misc Service Rev.	13,935		13,935			
Operating Revenues	<u>\$1,003,496</u>	<u>\$56,876</u>	<u>\$1,060,371</u>	<u>\$342,337</u>	<u>\$1,402,708</u>	32.28%
O & M Expense	635,571	51,871	687,442		687,442	
Depreciation Expense	151,325	20,428	171,753		171,753	
Taxes, Other	79,668	14,379	94,047	3,852	97,899	
Income Tax	0		0	86,244	86,244	
Operating Expenses	<u>866,564</u>	<u>86,678</u>	<u>953,242</u>		<u>1,043,339</u>	
Net Operating Income	<u>\$136,931</u>		<u>\$107,129</u>		<u>\$359,369</u>	
Rate Base	\$4,380,643				\$4,451,949	
Rate of Return	3.13%				8.07%	
Operating Margin (PSC Method)					10.34%	

Note: This schedule reflects the impacts of the revenue shortfall as a result of losing revenues from two golf courses.

REVISED  
Schedule S-E**KIAWAH ISLAND UTILITY, INC.**  
**Sewer Operation**Pro Forma Test Year-Billing AnalysisProposed Rates

Residential	Bills	Usage	Base Rate	Usage Rate	Base Revenue	Usage Revenue	Total Revenue
5/8x3/4"	30,704		\$25.95		\$796,768.80		\$796,768.80
3/4"	1,128		\$38.93		\$43,913.04		43,913.04
1"	828		\$64.88		\$53,720.64		53,720.64
1 1/2"	0		\$129.75		\$0.00		0.00
2"	12		\$207.60		\$2,491.20		2,491.20
0-11 kgals.		189,963		\$0.68		129,174.95	129,174.95
	32,672	189,963			\$896,893.68	\$129,174.95	\$1,026,068.63
			Avg Bill	\$31.41			

General Service

Commercial	Bills	Usage	Base Rate	Usage Rate	Base Revenue	Usage Revenue	Total Revenue
5/8x3/4"	360	6,646	\$25.95	\$2.60	\$9,342.00	\$17,279.60	\$26,621.60
3/4"	36	668	\$38.93	\$2.60	1,401.48	1,736.80	3,138.28
1"	60	2,061	\$64.88	\$2.60	3,892.80	5,358.60	9,251.40
1 1/2"	72	3,703	\$129.75	\$2.60	9,342.00	9,628.23	18,970.23
2"	72	9,719	\$207.60	\$2.60	14,947.20	25,269.40	40,216.60
3"	24	4,384	\$454.13	\$2.60	10,899.12	11,398.40	22,297.52
4"	12	3,212	\$1,297.50	\$2.60	15,570.00	8,351.20	23,921.20
6"	0	0					0.00
	636	30,393			\$65,394.60	\$79,022.23	\$144,416.83
			Avg Bill	\$227.07			

Golf Course *	Bills	Usage	Base Rate	Usage Rate	Base Revenue	Usage Revenue	Total Revenue
Effluent	36	179,645	\$4,308.85	\$0.19	\$155,118.60	\$34,132.55	\$189,251.15
	36	179,645			\$155,118.60	\$34,132.55	\$189,251.15
			Avg Bill	\$5,256.98			

Hotel/Motel	Bills	Usage	Base Rate	Usage Rate	Base Revenue	Usage Revenue	Total Revenue
	12	9,213	\$1,557.00	\$2.60	\$18,684.00	\$23,953.80	\$42,637.80
	0	0					
	12	9,213			\$18,684.00	\$23,953.80	\$42,637.80
			Avg Bill	\$3,553.15			

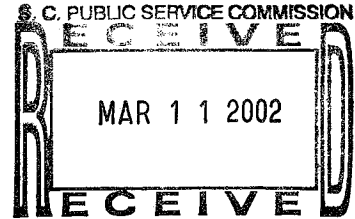
System Totals	33,356	409,214			\$1,136,091	\$266,284	\$1,402,374
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Misc. Service Revenues							13,935
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Total System Revenues Per Billing Analysis							\$1,416,309
Billing Adjustments (Partial Month Bills, etc.)							(13,601)
Actual Operating Revenues							\$1,402,708

\*Note: This schedule reflects the impacts of the revenue shortfall as a result of losing revenues from two golf courses.

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KIAWAH ISLAND UTILITY, INC.

DOCKET NO. 2001-164-W/S

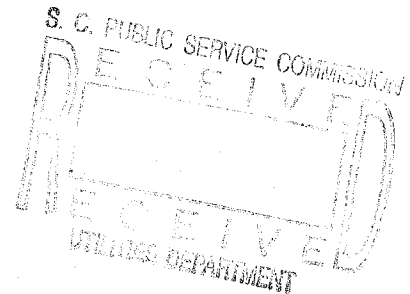
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BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

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TESTIMONY OF TOWNSEND P. CLARKSON

TESTIMONY OF JOHN F. GUASTELLA

TESTIMONY OF GARY C. WHITE

Exhibit 1 Re-Calculation of Schedule W-E, S-C, and S-E

RETURN DATE: OK [signature]  
SERVICE: OK [signature]